

IMPLEMENTATION OF THE PREPARATION OF MSME FINANCIAL STATEMENTS BASED ON THE FINANCIAL ACCOUNTING STANDARDS OF MICRO, SMALL AND MEDIUM ENTITIES (SAK EMKM) IN WEAVING MSME IN KUPANG CITY

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Abstract

This study aims to determine and analyze the implementation of the preparation of financial statements on MSME based on the Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM). This study uses a qualitative method. Variable operational definition refers to SAK EMKM. Data analysis used descriptive qualitative analysis method. The results of the study show that: (1) weaving MSME in the city of Kupang have not presented financial reports based on SAK EMKM. (2) weaving MSME in Kupang City have not carried out accounting procedures according to accounting standards.

Keywords: *Micro, Small and Medium Entities (MSME); Financial Reports; SAK EMKM.*

INTRODUCTION

According to legislation No. 20 of 2008, MSME are distinguished according to their respective criteria which include micro, small and medium enterprises. MSME are productive businesses owned by individuals or business entities that meet the criteria as micro-enterprises.

The development and growth of MSME is currently recognized as very important to increase aggregate output and employment opportunities (Tambunan, 2000). MSME are able to contribute to GDP in Indonesia (Kemen KUKM RI). This indicates that MSME have a very large contribution to the region. In addition, MSME have a significant contribution in absorbing the workforce where the number of workers in Indonesia comes from MSME actors (Kemen KUKM RI). In practice, there are still various problems faced by MSME actors, including difficulties in getting financial support, bureaucracy, lack of credit options and an unfriendly business environment, inadequate government support, unexpected policy changes, and lack of training (Zamberi, 2012). This is reinforced by Mendoza (2015) which states that MSME need direction and action that refers to a focus on increasing profitability. Micro, Small and Medium Enterprises are also able to support the community's economy that is empowered to grow at the national level in the form of realizing an economically

independent Indonesia, therefore MSME must be able to compete and be able to capture every potential that exists in order to continue to contribute to the national economy (Judianto, 2018).

Even though it is still on a small or medium scale, companies should not neglect the preparation of financial reports. Making financial reports in the MSME sector is very important because in addition to being able to control business operational costs so as to know the profit and loss of the business, it is also to determine accounts payable and calculate taxes. Bookkeeping for MSME is needed so that financial reports are more structured. Unfortunately, most MSME only focus on marketing and product development activities. Many MSME still think that this bookkeeping is not too important. The preparation of financial reports carried out by MSME is still simple, generally using a single entry and has not been integrated. MSME actors also still do not understand SAK EMKM. (Rohendi, 2019). In line with Saragih & Surikayanti (2015) found that MSME still lack understanding of accounting and financial management, although some do. All the information presented in these financial statements can be obtained through the role of accounting science, this is because accounting plays an important role in the success or failure of a business. The accounting system is responsible for recording, analyzing, monitoring

and evaluating the company's financial condition, preparing documents required for tax purposes and providing information support to many other organizational functions (Uddin et al, 2017).

RESEARCH METHOD

This research is a combination of quantitative and qualitative research with a case study approach. The focus of the research is the application of financial statement preparation by looking at the understanding of MSME actors towards SAK EMKM and financial reports developed based on MSME Financial Accounting Standards. The type of data used in this study consisted of primary data and secondary data. Primary data is used to determine the understanding and also the preparation of financial reports by MSME and their problems. The population in this study were MSME in Kupang City. The sampling technique used is purposive sampling with the following criteria: a) MSME that produce ikat weaving in NTT; b) MSME that present periodic financial reports. Data analysis in this study uses descriptive qualitative analysis with the Miles and Huberman model where the analysis is carried out in depth through interactive and continues continuously until complete.

RESULT AND DISCUSSION

This study uses primary data obtained through interviews with ikat craftsmen in the city of Kupang. From the sampling conducted by the researcher, it was found that 5 ikat weaving MSME in the city of Kupang were the research samples.

Process of Accounting and Bookkeeping at Ikat Weaving SMEs in Kupang City

The accounting process carried out at the ikat weaving MSME in Kupang City is very diverse, but basically they do the recording according to their understanding of running a business. Informant 1 stated this as follows:

"I do my records to find out my financial position, from expenses to daily income, but it is only my understanding and knowledge. Honestly, I don't have a good understanding of accounting, so the recording I do is according to my understanding. Moreover, recording the correct accounting process according to accounting science is too complicated and takes a lot of

time."

The results of his interview with Informant 2, are disclosed as follows:

"Our bookkeeping is only limited to simple financial records, in the form of records of receipts and disbursements of money in accordance with the transactions that occur, so there are no special reports in the form of complete and neat financial statements such as financial statements in accounting."

The results of interviews with informant 3, are disclosed as follows;

"We do not have knowledge and do not understand the process of recording with a complete bookkeeping system. We also do not make asset reports. We do not detail our finances as a whole. We also don't explain the value of the equipment and equipment in nominal terms, only if there is damaged equipment, we immediately repair or buy new ones."

Based on the results of these interviews, it can be seen that each MSME manager or owner has their own way of compiling the financial records of their business. In carrying out records or bookkeeping, they do not use accounting knowledge as a basis for bookkeeping, they do simple bookkeeping according to their understanding. Even though the bookkeeping is still simple, MSME have used transaction evidence as a basis for recording.

The process of accounting and bookkeeping in weaving SMEs in Kupang City is based on SAK-EMKM

Weaving MSME in Kupang City have not carried out a good accounting and bookkeeping process according to SAK-EMKM. This is reinforced by various evidences found in the field and statements from a number of informants regarding their financial records. The following is the statement expressed by informant 4 as follows:

"We don't make a balance sheet. The financial statements that I pay attention to are only money coming in and going out or usually only the total cash I have, just like that. We only make cash in and cash out books. We do not make a balance sheet and detail all the assets that we use in our business in detail. We also did not

report the value of the equipment for the production of ikat and other assets. We only record the cost of repairs if the equipment is damaged in the cash out book. If there is a purchase of new equipment, we also record it according to the purchase note in the cash out book."

The results of interviews with informant 5, are disclosed as follows;

"I do not understand and find it difficult to do bookkeeping such as journaling and balance sheets. Recording like that just troubles us. We do not have personnel who can help us make good financial reports, and we do not have enough finances to pay special finance personnel. We do our own records and we want to be in direct control of our finances. That alone is enough."

From the results of the interview, it is shown that the ikat weaving MSME in Kupang City have not recorded and recorded according to SAK-EMKM, namely presenting income statements, statements of changes in equity, statements of financial position, cash flow statements and notes to financial statements. Various reports made by MSME are still in the form of records of incoming and outgoing cash according to their business activities, and compiled based on their understanding. The perpetrators of ikat weaving MSME in Kupang City still find it difficult to prepare financial reports that are in accordance with SAK-EMKM. In addition, MSME actors do not have adequate resources to prepare financial reports according to SAK-EMKM standards.

Obstacles to the Implementation of SAK-EMKM on weaving MSME in Kupang City Internal factors

One of the biggest problems for weaving MSME in Kupang City is financial recording and reporting that does not follow applicable accounting standards. Whereas good financial recording and reporting is very important and needed by MSME actors in developing their business.

Some of the common obstacles faced by MSME are the lack of education and knowledge in accounting, do not have accounting staff due to limited costs, and there is no obligation for MSME to compile financial reports in accordance with EMKM Financial Accounting Standards (SAK). Lack of socialization is the

main factor in the lack of familiarity with SAK EMKM in the UMKM environment.

External Factors

One of the causes of weaving MSME in Kupang City does not carry out accounting and bookkeeping records based on SAK EMKM due to the absence of supervision from parties with an interest in MSME financial reports, especially from the government, related institutions and regulators. The government's attention and concern for the development of MSME should be the responsibility of all parties in accordance with the fields they are involved in. The absence of regulations that require the preparation of financial statements for MSME has resulted in the low preparation of financial statements according to accounting standards. So the attention of the regulator related to regulations that require the preparation of financial statements for MSME is very necessary.

The Importance of Implementing SAK-EMKM on weaving MSME in Kupang City

The financial reports generated from accounting records are very helpful for the owners of ikat weaving MSME in Kupang City in analyzing changes in the working capital structure, investment decisions, income generation, expenses, and net income generated from ongoing business activities. By comparing the financial statements from year to year, the owners of ikat weaving MSME will get important information about what is already good and what still needs to be improved. If MSME actors prepare good financial reports, they will get the following benefits:

- a) The weaving MSME actors can find out how their business is developing in real terms, not based on estimates and wishful thinking;
- b) The perpetrators of weaving MSME will find it easy to access credit from banks so that it affects business development.

CONCLUSION

The weaving MSME in Kupang City are not yet aware of the importance of neat financial records and bookkeeping. In fact, with the existence of bookkeeping, SMEs in ikat weaving can find out whether their business is running in a healthy manner or not. In fact, in the current digital era, most of the weaving MSME in Kupang City are still "blind" in accounting. As a result, many of them do not

have books on their business which has the potential to grow.

From the results of research and interviews conducted, it has been stated that the weaving MSME in Kupang City have not implemented SAK EMKM. Based on the results of interviews conducted, it is known that every MSME manager or owner has their own way of compiling the financial records of their business. In carrying out records or bookkeeping, they do not use accounting knowledge as a basis for bookkeeping, they do simple bookkeeping according to their understanding. Even though the bookkeeping is still simple, MSME have used transaction evidence as a basis for recording.

Some of the common obstacles faced by MSME are the lack of education and knowledge in accounting, do not have accounting staff due to limited costs, and there is no obligation for MSME to compile financial reports in accordance with EMKM Financial Accounting Standards (SAK). Lack of socialization is the main factor in the lack of familiarity with SAK EMKM in the UMKM environment.

One of the causes of weaving MSME in Kupang City does not carry out accounting and bookkeeping records based on SAK EMKM is due to the absence of supervision from parties with an interest in MSME financial reports, especially from the government, related institutions and regulators.

Suggestions that can be given in this study are: 1) By presenting MSME financial reports in accordance with SAK-EMKM, MSME can find out information on business developments and business prospects through complete financial reports according to accounting standards, MSME actors begin to apply the accounting recording process in accordance with established standards. 2) There is a need for support and supervision from the government to help discipline MSME in carrying out financial records and assist banks in analyzing business feasibility, as well as the tax authorities in fulfilling tax administration.

PENUTUP

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